



0000120772

BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN  
COMMISSIONER-CHAIRMAN  
RENZ D. JENNINGS  
COMMISSIONER  
CARL J. KUNASEK  
COMMISSIONER

RECEIVED  
MAR 16 11 20 AM '98

DOCUMENT CONTROL

**In the Matter of the Competition  
In the Provision of Electric Services  
Throughout the State of Arizona**

Docket No. RE-00000C-94-0165

Arizona Corporation Commission

**DOCKETED**

MAR 16 1998

DOCKETED BY

OPENING BRIEF  
OF  
THE DEPARTMENT OF DEFENSE  
AND ALL OTHER FEDERAL EXECUTIVE AGENCIES

Filed  
March 16, 1998

## INTRODUCTION

Comes now the Secretary of Defense, through authorized counsel, representing the consumer interests of the Department of Defense and all other Federal Executive Agencies (hereinafter the DOD) respectfully submitting DOD's opening brief in the above-captioned Docket.

The DOD presented two witnesses in this proceeding. Ralph C. Smith, CPA of Larkin & Associates who addressed issues 1-5 and 7-9 (See Exhibit DOD-3) and Dan L. Neidlinger who addressed issue 6 on direct and rebuttal (Exhibits DOD-1 and 2, respectively).

## DISCUSSION OF THE ISSUES

This brief will address the issues in the same sequence established by the Commission in its Procedural Order dated December 1, 1997.

### 1. Should the Electric Competition Rules be modified regarding stranded costs, and, if so, how?

DOD's simple answer to the question is: Yes. The Rules should be modified, consistent with the Commission's findings in this proceeding. DOD witness Smith recommended that the Rules should be modified to explicitly link "stranded cost" recovery to the introduction of retail electric generation competition. DOD offers the following language change to R14-2-1607(B) reflecting its recommended change:

*As an integral part of introducing of retail electric generation competition in Arizona,*  
the Commission shall allow the Affected Utilities an opportunity to recover unmitigated

## Stranded Cost.

As DOD witness Smith explained during cross examination, it is important to explicitly link the stranded cost recovery to the introduction of retail electric competition for generation to recognize that the stranded cost recovery by utilities is part of the process of producing a competitive market for generation in Arizona. Tr.2716. This particular change to the rules would provide the necessary linkage between the transitioning to a competitive market and the recovery by utilities of stranded costs. Tr.2717.

### 2. When should "Affected Utilities" be required to make a "stranded cost" filing pursuant to A.A.C. R14-2-1607?

DOD's position on this question is that the filing should be required as soon as possible. DOD witness Ralph Smith noted that, in R14-2-1604, the Commission has established a fairly aggressive schedule for the introduction of electric competition in Arizona, with the first phase to begin in 1999, and with full competition to begin in 2003. Moreover, customers and the utilities need to have information on the amounts of stranded cost charges from the Affected Utilities at the earliest date possible. Mr. Smith suggested a specific deadline for stranded cost filings by the Affected Utilities of April 30, 1998. DOD-3, at 3-5. On cross examination, DOD witness Smith agreed that the timing of this proceeding may be a critical path event to the utilities' stranded cost filings. Tr.2717. He suggested a reasonable period, such as 60 days, for the Affected Utilities to digest an order from this proceeding and make their stranded cost filings. He noted that the Affected Utilities have already had well over a year since the Commission's rules on stranded cost recovery were originally

promulgated. He also agreed that APS's proposal to make its stranded cost filing within 30 days of the final entry of an order in this proceeding was acceptable. Tr.2718.

Even if the Commission selects an auction and divestiture approach, the utilities should be required promptly to file their stranded cost estimates so that stranded cost recovery can commence with the beginning of the competitive transition period. After the actual auction has taken place, the estimated amounts of stranded costs being recovered can be adjusted to reflect the actual market values obtained from the auction. Tr.2742-43.

3. What costs should be included as part of "stranded costs" and how should those costs be calculated?

R14-2-1601(8) provides that "stranded cost" means the verifiable net difference between:

- . The value of all the prudent jurisdictional assets and obligations necessary to furnish electricity (such as generating plants, purchased power contracts, fuel contracts, and regulatory assets), acquired or entered into prior to the adoption of this Article, under transition regulation of Affected Utilities, and
- . The market value of those assets and obligations directly attributable to the introduction of competition under this Article.

This is a reasonable definition of stranded costs and provides guidance as to what should be included. Moreover, the amount of stranded costs should be calculated based upon the difference between (a) book or embedded cost and (b) market value. DOD-3 at 5.

DOD's testimony suggested the following standards and principles be considered in

addressing valuation issues:

- 1) Whether the sale is between independent parties who are not acting under duress.
- 2) Whether the valuation reasonably compares with prices received for similar assets in other sales.
- 3) Whether the appraisals are independently prepared and based upon reasonable assumptions.
- 4) In establishing the value of a multi-year contract of a long-lived asset, whether the valuation should consider data for a comparative period.
- 5) If the transaction involves a series of cash receipts or cash payments, whether the valuation amount compares to the net present value result produced by a discounted cash flow analysis.
- 6) Whether the asset being valued (e.g., land, buildings, vehicles) is subject to other uses.
- 7) Whether long-lived assets should be subject to different valuation measures than short-term assets.
- 8) Whether the valuations occurring at the Affected Utilities for similar assets are reasonably consistent with each other.
- 9) Whether the competitive market prices for generation are subject to significant variability over time, and, if so, whether an average rate should be employed for valuation purposes, and how to select the period for applying an average market rate.
- 10) Whether the valuation appropriately took the tax effects into consideration.

DOD-3 at 8-9.

With respect to the methods for the determination of "stranded costs," DOD witness Smith testified that he believes there is substantial merit to the auction and divestiture method.

DOD-3 at 9; Tr.2699. When a competitive entity performs a valuation calculation for a potential power plant purchase, even if it uses a method similar to the "net revenues lost" approach, the competitive entity will have different assumptions, such as a different discount rate, than the Affected Utility. Tr.2748-49. Moreover, those different assumptions a competitive entity would use in its calculations of the value of a power plant it was considering purchasing from an Affected Utility could result in a higher value for the plant, than would be the case if only the Affected Utility's opinion on its value were considered.

The auction and divestiture method has two clear advantages over an administrative approach. One advantage is that, under the divestiture approach, the sales price is going to be the highest price bid. Tr.2749. If there are a number of bidders for the asset, the asset will be sold for the highest price bid. This results in more money being available to offset the utility's stranded cost recovery than under an administrative approach. As APS witness Hieronymus testified under cross examination:

Q. Identifying who will pay for it [a generating asset] and how much is a useful way of valuing the asset; right?

A. Well, if your question is if I can get somebody to pay me \$500 million for a \$400 million asset, can I therefore get out from under 100 million, the answer is obviously yes.

Tr.2678/Hieronymus.

The Rhode Island Public Utilities Commission has seen this happen recently where

PG&E purchased generation assets from Eastern Utilities at a price higher than what the latter had submitted to that Commission in the restructuring proceeding.

A second clear advantage of the auction and divestiture approach is that, if the transaction is an arms' length transaction, it provides objective evidence of the value of the property. This is the classic way of determining the fair value of an asset. Tr.2749-2750. Because of the potential for less-than-arm's-length transactions, e.g., where a utility was transferring a power plant to a related entity, the Commission should not relinquish its authority to review the valuations. Tr.2750. If the auction and divestiture approach is used, DOD witness also recommended that the Commission retain the ability to review the sales and sales prices for reasonableness. Tr.2722. In summation, the Commission should retain authority to review the prices obtained in either forced or voluntary divestiture of utility assets.

A number of parties representing diverse interests advocate the auction and divestiture approach, including Citizens Utilities, Arizonans for Electric Choice and Competition, the Land and Water Fund of the Rockies, PG&E Energy Corporation, and DOD. This indicates its merits are recognized by a majority of parties irrespective of their interests. In contrast, the "net revenues lost" administrative approach is supported primarily by the Affected Utilities. Moreover, some of the non-utility parties that have supported using an alternative administrative approach, such as RUCO, have qualified their support for such a method by simultaneously advocating that shareholders of the Affected Utilities "share" a large portion (such as 50%) of the stranded cost amount that results from the use of an administrative calculation method.

If the Commission chooses not to use the divestiture method, then the replacement cost valuation method would be the preferred administrative valuation alternative. DOD-3 at 9;

Tr.2699. This method was supported by several of the nonutility parties to the Stranded Cost Working Group.

DOD witness Smith agreed that the costs associated with the auction and divestiture would be included as stranded costs, subject to a review for reasonableness. Tr.2726-2727. He also agreed that some costs incurred by the utilities after December 26, 1996 are an integral part of transitioning to the competitive market and relate to the determination of a value of the generation that is being divested, and that such costs should not be disallowed simply because they were incurred after December 26, 1996. Tr.2727-2728.

While Mr. Smith agreed that it was theoretically possible that utilities could have some stranded metering costs between the end of 1996 and the beginning of 1999 (Tr.2731), he explained that he had a conceptual problem with treating metering costs as being stranded because the new entrants into the market would also tend to have similar costs which they would have to recover through the market place; therefore, even if the Affected Utilities had metering costs that became "stranded," they should not necessarily receive stranded cost recovery for those because of competitive neutrality concerns. Tr.2729.

Concerning costs incurred after 1996 for mitigation, Mr. Smith stated that the utility should be required to quantify such costs with sufficient specificity and show that they are incremental costs that would not have been incurred otherwise. In such situations, the mitigation costs should be netted against the resulting benefit of buying out (i.e., mitigating) the above-market contract. Tr.2732.

Mr. Smith also provided the following guidance for items that should not be accorded recovery by the Affected Utilities as stranded costs:

- Costs that could have, or should have, been mitigated should not be permitted for

“stranded cost” recovery.

- Costs that have traditionally been disallowed by this Commission in rate proceedings should not be eligible for stranded cost recovery.
- Costs for generation added by the Affected Utilities after they were put on notice that the market for electric generation would become competitive should not be eligible for stranded cost recovery unless the Affected Utilities can prove that such costs represented unavoidable commitments made prior to the notification date, or that such additions are cost-justified based upon reasonable expectations of competitive market prices.
- Stranded cost recovery should not be permitted for costs that are not related to the Affected Utilities’ generation function.
- Stranded cost recovery can include accelerated depreciation for uneconomic generation-related assets, but should not include any depreciation associated with the write-down of these assets below fair market value.
- To preserve and promote competitive neutrality, the Affected Utilities should not receive stranded cost recovery for their current variable costs where competitive generators are required to recover similar costs only from the market price of electricity.

DOD-3 at 9-10.

3.a. What is the recommended calculation methodology, and what assumptions are made, including determination of market clearing price?

DOD's recommended calculation methodology is discussed under issue No. 3. DOD did not take a position concerning specific assumptions or the market clearing price, and believes it would be premature to do so at this stage of the proceedings, since the Affected Utilities have not yet filed their estimates of stranded costs. DOD's position is that it would be more appropriate to address specific assumptions and the determination of the market clearing price in a subsequent proceeding that provides for the review of the accounting and valuation data relied upon by the Affected Utilities, i.e., after the Affected Utilities have made their stranded cost filings.

3b. What are the implications of SFAS No. 71 resulting from the recommended stranded cost calculation and recovery methodology?

DOD did not present a position concerning the implications of SFAS No. 71 because that impact would be dependent upon a number of factors which are not known at this time and will not be known until after the Affected Utilities file their estimates of stranded costs. DOD agrees with the Staff's observation that the implications of SFAS 71 will not be determinable until the regulated cash flows of a utility are established. Finally, DOD would like to emphasize that any SFAS 71 impacts constitute only one of a number of other considerations that this Commission should address in moving to competition, and must be weighed against other factors such as assuring that a competitive market develops and minimizing the cost of the transition to affected ratepayers.

4. Should there be a limitation on the time frame over which "stranded costs" are calculated?

Yes. DOD's position is that there should be a limitation on the time frame over which "stranded costs" are calculated. DOD witness Smith testified that he viewed this question as asking: "What is the longest possible period for which it would be reasonable to consider in doing the stranded cost calculation?" Tr.2708. He provided the following recommendations concerning what this outside limit should be for the various types of stranded costs. For generating plant, he recommended that the stranded cost calculation should not extend beyond the current remaining lives of the generating plant that is being stranded, other than perhaps to consider the cost of removal and decommissioning. Similarly, the time frame over which "stranded costs" are calculated for purchased power and fuel contracts should not extend beyond the duration of those contracts. Nor should the currently applicable recovery periods for regulatory assets be extended. DOD-3 at 10.

5. Should there be a limitation on the recovery time frame for "stranded costs"?

Yes. DOD recommends a recovery period in the range of four to six years, depending upon the size of each Affected Utility's stranded costs that are found appropriate by this Commission. DOD-3 at 10-11. A review of the issue matrix reveals that many other parties are also recommending that the stranded cost be limited to a similar period. R14-2-1604 provides for full competition for electric generation to begin in 2003, with the first phase of

such competition beginning in 1999. This represents a four-year "transition" period. At the expiration of this recovery period, the "stranded cost" charge would terminate, and the Affected Utilities would recover their generation-related costs solely through the market price for generation. Furthermore, as DOD witness Smith explained, this recovery period would occur in conjunction with having the rates of the Affected Utilities capped at current levels, as discussed under Issue No. 8 below. DOD-3 at 11.

DOD submits that the particular stranded cost recovery period for each Affected Utility is not something that the Commission needs to decide at this point in the process. A general guideline of the period can be established here, i.e., the 4 to 6 years. Then, after the parties and the Commission have had the opportunity to review the stranded cost filings made by the Affected Utilities, the recovery period for each utility can then be determined.

6. How and who should pay for "stranded costs" and who, if anyone, should be excluded from paying for stranded costs?

Stranded costs should be recovered from all customers, except for new customers and self-generators who are completely disconnected from the grid. Stranded costs should be allocated to special contract customers through negotiations between those customers and the utility.

DOD advocates that stranded costs be categorized as either demand-related or energy-related and recovered through a combination of demand and energy charges to customers. Allocation of stranded costs to customer classes should be based on cost of service principles.

DOD-1 at 3-5, Tr. 1226.

7. Should there be a true-up mechanism and, if so, how would it operate?

DOD's position is that there is merit in a true-up mechanism because of the uncertainty associated with long-range forecasts. DOD-3 at 11; Tr.2706-7. However, whether there is a need for some type of true-up mechanism depends upon the particular method selected by the Commission for stranded cost quantification and recovery. As DOD witness Smith explained:

"Because the valuation will, of necessity, be based upon estimates which could vary substantially from actual market prices, without some form of true-up, there is a danger that some of the affected parties could be either unjustly benefited or hurt from the use of inaccurate estimates." DOD-3 at 11.

On the other hand, DOD witness Smith also recognized that the potential for a later true-up introduces an element of price uncertainty into the electricity purchasing plans of customers, and could therefore interfere with the development of competition. Because of the potential for "true-up" adjustments, customers are uncertain as to the price of electricity. DOD-3 at 11-12.

However, if a true-up mechanism is adopted, it should not continue indefinitely, but should be limited to the periods allowed by the Commission for stranded cost recovery. After that period for expires, there should be effective competition, and the price for electric generation should be based upon the market price without the imposition of surcharges for true-ups of "stranded cost" recovery. DOD-3 at 13.

8. Should there be price caps or a rate freeze imposed as part of the development of a stranded cost recovery program and, if so, how should it be calculated?

Yes. DOD's position is that there should be price caps or a rate freeze. The basic purpose of introducing retail competition for electric generation into this jurisdiction is to benefit consumers and give them the opportunity to save on their electric bills as the result of having available alternative suppliers operating in the market. Therefore, the introduction of competition should produce cost savings for consumers and should not result in their rates for electric service being increased. To assure that all customers have an opportunity to benefit from electric competition and to assure that no direct harm in the form of price increases occurs to any rate class, it would be appropriate and necessary to impose a price cap or rate freeze upon the Affected Utilities in conjunction with allowing them an opportunity for recovering stranded costs. DOD-3 at 12. As Mr. Smith explained, customers with bargaining power will have the ability to leave the utility and purchase their generation elsewhere. The purpose of a rate cap is to protect the customers that are essentially going to be stuck on the utility's system, so they do not incur rate increases caused by the transition from regulation to competition. Tr.2735-36.

Stranded cost recovery under price caps/rate freeze should be accomplished by having the Affected Utilities unbundle their current rates into their component parts. This would include the standard offer rate. One of those components would be a charge for "stranded cost" recovery. The overall rate being paid by each customer class would not increase, but rather would be capped at its present level under the rate freeze. This rate freeze should apply for the duration of the stranded cost recovery period. DOD-3 at 13; Tr.2733-34.

**9. What factors should be considered for "mitigation" of stranded costs?**

DOD's believes that there is a wide range of factors to consider for mitigation of stranded cost. R14-2-1607 provides that: "The Affected Utilities shall take every feasible, cost-effective measure to mitigate or offset Stranded Cost by means such as expanding wholesale or retail markets, or offering a wider scope of services for profit, among others." Therefore, a review of the Affected Utilities' mitigation efforts is an important part of the stranded cost recovery process. DOD-3 at 13. DOD witness Smith provided the following list of mitigation measures that the Affected Utilities can attempt, if feasible and cost-effective:

- Renegotiate uneconomic purchase power and fuel contracts;
- Where uneconomic purchased power and fuel contracts contain cancellation or termination clauses, exercise such clauses to avoid incurring additional uneconomic costs;
- Find other uses for assets;
- Retire uneconomic plant;
- Reduce overhead;
- Find new markets for its power;
- Explore other opportunities for services provided by its power generation work force;
- Spread overhead and administrative costs over a wider range of services;
- If authorized, securitize a portion of its "stranded costs" that are eventually authorized by the Commission for recovery to reduce the net financial cost of such recovery;

- Structure the recovery of “stranded costs” to maximize tax deductions and result in the least cost to ratepayers;
- Accelerate depreciation on uneconomic plant;
- Accelerate the amortization of regulatory assets;
- Extend the life of economic plant;
- Sell assets that are of less value to the Affected Utility than to potential buyers;
- Accept a reduced return on common equity for the uneconomic generation-related assets that are being recovered through a “stranded cost” charge.

DOD-3 at 13-14.

Mr. Smith also recommended using two forms of incentives to encourage the Affected Utilities to reduce their stranded costs: (1) making the Affected Utilities responsible for some portion of their stranded costs would provide a direct financial incentive to them to reduce such costs; and (2) allowing them to retain a portion of the cost savings, e.g., allowing the shareholders of the Affected Utilities to retain 10% of the cost savings produced by their

////////

////////

////////

////////

////////

////////

////////

////////

renegotiation of fuel and purchased power contracts. A combination of these two forms of incentives should be employed to help motivate the Affected Utilities in their stranded cost mitigation efforts. DOD-3 at 15.

Respectfully submitted,



NORMAN J. FURUTA

Associate Counsel

(Regulatory Law)

Engineering Field Activity West  
Naval Facilities Engineering Command  
900 Commodore Drive, Bldg. 107  
San Bruno, CA 94066-5006

TEL: (650) 244-2100

FAX: (650) 244-2140

Counsel for the  
SECRETARY OF THE NAVY  
on behalf of the  
DEPARTMENT OF DEFENSE

Dated: March 16, 1998

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**JIM IRVIN  
COMMISSIONER-CHAIRMAN  
RENZ D. JENNINGS  
COMMISSIONER  
CARL J. KUNASEK  
COMMISSIONER**

**In the Matter of the Competition in  
the Provision of Electric Services  
Throughout the State of Arizona**

**Docket No. RE-00000C-94-0165**

**CERTIFICATE OF SERVICE**

**I hereby certify that I have this day served the foregoing opening brief on all parties of record in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:**

Garkane Power Association, Inc.  
PO Box 790  
Richfield, UT 84701

Mohave Electric Cooperative, Inc.  
PO Box 1045  
Bullhead City, AZ 86430

Morenci Water and Electric Company  
PO Box 68  
Morenci, AZ 85540

Stephen Ahearn  
Arizona Dept. of Commerce Energy Office  
3800 N Central AV, 12th Floor  
Phoenix, AZ 85012

Betty Pruitt  
Arizona Community Action Association  
202 E MCDOWELL RD STE 255  
Phoenix, AZ 85004-4535

Choi Lee  
Phelps Dodge Corp.  
2600 N Central AV  
Phoenix, AZ 85004-3014

Bradley Carroll  
Tucson Electric Power Co.  
PO Box 711  
Tucson, AZ 85702

Creden Huber  
Sulphur Springs Valley Electric  
Cooperative  
PO Box 820  
Willcox, AZ 85644

Mick McElrath  
Cyprus Climax Metals Co.  
PO Box 22015  
Tempe, AZ 85285-2015

Wallace Kolberg  
Southwest Gas Corp.  
PO Box 98510  
Las Vegas, NV 89193-8510

A.B. Baardson  
Nordic Power  
4281 N Summerset  
Tucson, AZ 85715

Michael Rowley  
c/o Calpine Power Services  
50 W San Fernando, STE 550  
San Jose, CA 95113

Dan Neidlinger  
3020 N 17th Drive  
Phoenix, AZ 85015

Clifford Cauthen  
Graham County Electric Co-op  
PO Drawer B  
Pima, AZ 85543

Wayne Retzlaff  
Navopache Electric Co-op, Inc.  
PO Box 308  
Lakeside, AZ 85929

Jack Shilling  
Duncan Valley Electric Cooperative  
PO Box 440  
Duncun, AZ 85534

Steve Montgomery  
Johnson Controls  
2032 W 4th ST  
Tempe, AZ 85281

Ken Saline  
K.R. Saline & Associates  
PO Box 30279  
Mesa, AZ 85275

Sheryl Johnson  
Texas-New Mexico Power Co.  
4100 International Plaza  
Fort Worth, TX 76109

Andrew Gregorich  
BHP Copper  
PO Box M  
San Manuel, AZ

William Baker  
Electrical District No. 6  
PO Box 16450  
Phoenix, AZ 85011

Robert Julian  
PPG  
1500 Merrell LN  
Belgrade, MT 59714

Jessica Youle  
PAB300  
Salt River Project  
PO Box 52025  
Phoenix, AZ 85072-2025

Marv Athey  
Trico Electric Cooperative  
PO Box 35970  
Tucson, AZ 85740

Craig Marks  
Citizens Utilities Company  
2901 N Central AV, STE 1660  
Phoenix, AZ 85012

Nancy Russell  
Arizona Association of Industries  
2025 N 3rd ST, STE 175  
Phoenix, AZ 85004

Terry Ross  
Center for Energy and Economic  
Development  
7853 E Arapahoe CT, STE 2600  
Englewood, CO 80112

Louis A. Stahl  
Streich Lang  
2 N Central AV  
Phoenix, AZ 85004

Ellen Corkhill  
AARP  
5606 N 17th ST  
Phoenix, AZ 85016

Larry McGraw  
USDA-RUS  
6266 Weeping Willow  
Rio Rancho, NM 87124

John Jay List, General Counsel  
National Rural Utilities Cooperative  
Finance Corp.  
2201 Cooperative WY  
Herndon, VA 21071

C. Webb Crockett  
Fennemore Craig  
3003 N Central AV, STE 2600  
Phoenix, AZ 85012-2913

Patricia Cooper  
AEPCO  
PO Box 670  
Benson, AZ 85602-0670

Joe Eichelberger  
Magma Cooper Company  
PO Box 37  
Superior, AZ 85273

Steve Kean  
Enron  
PO Box 1188  
Houston, TX 77251-1188

Barry Huddleston  
Destec Energy  
PO Box 4411  
Houston, TX 77210-4411

Michelle Ahlmer  
Arizona Retailers Association  
137 E University DR  
Mesa, AZ 85201-5995

Douglas Mitchell  
San Diego Gas & Electric Co.  
PO Box 1831  
San Diego, CA 92112

Phyllis Rowe  
Arizona Consumers Council  
PO Box 1288  
Phoenix, AZ 85001

Jim Driscoll  
Arizona Citizen Action  
2430 S Mill, STE 237  
Tempe, AZ 85282

Wallace Tillman, Chief Counsel  
National Rural Electric Cooperative Assn.  
4301 Wilson Blvd.  
Arlington, VA 22203-1860

Robert S. Lynch  
340 E Palm Lane STE 140  
Phoenix, AZ 85004-4529

Douglas A. Oglesby  
Vantus Energy Corporation  
353 Sacramento ST, STE 1900  
San Francisco, CA 94111

Michael Block  
Goldwater Institute  
Bank One Center  
201 North Central, Concourse Level  
Phoenix, AZ 85004

Stan Barnes  
Copper State Consulting Group  
100 W Washington ST, STE 1415  
Phoenix, AZ 85003

Carl Robert Aron, Exec. VP and COO  
Itron, Inc.  
2818 N Sullivan RD  
Spokane, WA 99216

John Branch  
City of Mesa Electric Utility  
PO Box 1466  
Mesa, AZ 85211-1466

Vincent Hunt  
City of Tucson, Dept. of Operations  
4004 S. Park AV, Bldg. 2  
Tucson, AZ 85714-0000

Paul Bullis, Chief Counsel  
Legal Division  
Arizona Corporation Commission  
1200 W Washington ST  
Phoenix, AZ 85007

Morris H. Wolff, Director Utilities Division  
Arizona Corporation Commission  
1200 W Washington ST  
Phoenix, AZ 85007

Berry, Hetzer, Stickley & Schutzman  
Court Reporters  
2627 N Third ST, STE 3  
Phoenix, AZ 85004-1103

Jerry L. Rudibaugh  
Chief Hearing Officer  
Arizona Corporation Commission  
1200 W Washington ST  
Phoenix, AZ 85007

Docket Control Division  
Arizona Corporation Commission  
1200 W Washington ST  
Phoenix, AZ 85007

Douglas Nelson  
Douglas C Nelson PC  
7000 N 16th ST, STE 120-307  
Phoenix, AZ 85020

Lawrence V. Robertson, Jr.  
Munger Chadwick PLC  
333 N Wilmot, STE 300  
Tucson, AZ 85711-2634

Tom Broderick  
6900 E Camelback RD #700  
Scottsdale, AZ 85251

Albert Sterman  
Arizona Consumers Council  
2849 E 8th ST  
Tucson, AZ 85716

Michael Grant  
Gallagher & Kennedy  
2600 N Central AV  
Phoenix, AZ 85004

Suzanne Dallimore  
Attorney General's Office  
1275 W Washington ST  
Phoenix, AZ 85007

Lex Smith/Michael Patten  
Brown & Bain PC  
2901 N Central AV  
Phoenix, AZ 85001-0400

Steve Wheeler/Thomas M. Mumaw  
Snell & Wilmer  
One Arizona Center  
400 E Van Buren ST  
Phoenix, AZ 85004-0001

William Sullivan  
Martinez & Curtis, PC  
2716 N 7th ST  
Phoenix, AZ 85006

Elizabeth S. Firkins  
IBEW, LU #1116  
750 S Tucson Blvd.  
Tucson, AZ 85716-5698

Jeff Woner  
K. R. Saline & Associates  
160 N Pasadena  
Mesa, AZ 85201

Douglas Nelson  
Douglas C. Nelson PC  
7000 N 16th ST, STE 120-307  
Phoenix, AZ 85020

Tom Broderick  
6900 E Camelback RD #700  
Scottsdale, AZ 85251

Carl Dabelstein  
2211 E Edna AV  
Phoenix, AZ 85022

Larry K. Udall  
Arizona Municipal Power Users' Assn.  
2712 N 7th ST  
Phoenix, AZ 85006-1090

Roderick G. McDougall  
City Attorney  
Attn: Jesse Sears, Asst. Chief Counsel  
200 W Washington ST, STE 1300  
Phoenix, AZ 85003-1611

William J. Murphy  
200 W Washington ST, STE 1400  
Phoenix, AZ 85003-1611

Russell E. Jones  
33 N Stone AV, STE 2100  
P. O. Box 2268  
Tucson, AZ 85702

Christopher Hitchcock  
P. O. Box 87  
Bisbee, AZ 85603-0087

Barbara Klemstine  
ARIZONA PUBLIC SERVICE CO.  
Law Department, Station 9909  
P. O. Box 53999  
Phoenix, AZ 85072-3999

Greg Patterson  
RUCO  
2828 N Central Avenue, Suite 1200  
Phoenix, AZ 85004

Michael A. Curtis  
Martinez & Curtis, P.C.  
2712 North 7th Street  
Phoenix, AZ 85006

Walter W. Meek  
Arizona Utility Investors Association  
2100 N Central Avenue, Suite 210  
Phoenix, AZ 85004

Rick Gilliam  
Land and Water Fund of the Rockies  
2260 Baseline Road, Suite 200  
Boulder, CO 80302

Charles R. Huggins  
Arizona State AFL-CIO  
110 N 5th Avenue  
P. O. Box 13488  
Phoenix, AZ 85002

David C. Kennedy  
Law Offices of David C. Kennedy  
100 W Clarendon AV, STE 200  
Phoenix, AZ 85012-3525

Norman J. Furuta  
Department of the Navy  
900 Commodore DR, Building 107  
San Bruno, CA 94066-5006

Thomas C. Horne/Michael S. Dulberg  
Horne, Kaplan & Bistrow, P.C.  
40 N Central AV, STE 2800  
Phoenix, AZ 85004

Barbara S. Bush  
Coalition for Responsible Energy  
Education  
315 West Riviera DR  
Tempe, AZ 85252

Sam DeFrawi  
Rate Intervention  
Building 212, 4th Floor  
901 M Street SE  
Washington, D.C. 20374-5018

Rick Lavis  
Arizona Cotton Growers Association  
4139 E Broadway Road  
Phoenix, AZ 85040

Steve Brittle  
Don't Waste Arizona, Inc.  
6205 S 12th Street  
Phoenix, AZ 85040

Karen Glennon  
19037 N 44th Avenue  
Glendale, AZ 85308

AJO Improvement Company  
P.O. Drawer 9  
Ajo, AZ 85321

Columbus Electric Cooperative, Inc.  
P.O. Box 631  
Deming, NM 88031

Continental Divide Electric Cooperative  
PO Box 1087  
Grants, NM 87020

Dixie Escalante Rural Electric Association  
CR Box 95  
Beryl, UT 84714

Myron L. Scott  
1628 E Southern AV, No. 9-328  
Tempe, AZ 85282-2179

Andrew Bettwy, Debra Joluc Walley  
Southwest Gas Corporation  
5241 Spring Mountain RD  
Las Vegas, NV 89102

Barbara R. Goldberg  
Office of the City Attorney  
3939 Civic Center Blvd.  
Scottsdale, AZ 85251


Terry Ross  
Center for Energy & Economic  
Development  
P. O. Box 288  
Franktown, CO 80116

Peter Glaser  
Doherty Rumble & Butler PA  
1401 New York AV, NW, STE 1100  
Washington, DC 20005

Thomas Pickrell  
Arizona School Board Association  
2100 N Central AV  
Phoenix, AZ 85004

Bradford A. Borman  
PacifiCorp  
One Utah Center, STE 800  
201 S Main ST  
Salt Lake City, UT 84140

Dated at San Bruno, California, this 16<sup>th</sup> day of March 1998.

  
Leticia G. Byrd, Secretary